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C O N F I D E N T I A L SECTION 01 OF 02 CONAKRY 000267

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SENSITIVE

C O R R E C T E D C O P Y - ADDING PARA MARKINGS, PARA ONE

E.O. 12958: DECL: 05/13/2019
TAGS: EMIN ELAB PGOV ASEC GV
SUBJECT: GLOBAL ALUMINA MINE PROJECT ON HOLD

REF: CONAKRY 0265

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Classified By: POL/ECON CHIEF SHANNON CAZEAU FOR REASON 1.4 B AND D

¶1. (SBU) SUMMARY. A May 7 visit to the Global Alumina mine site in Boke confirmed that the company has put its \$4.7 billion investment on temporary hold. The construction contractor Bechtel was expecting to receive an official notice to proceed in early 2009, but has now downsized operations until the contract comes through, which may not happen until towards the end of 2010. In the meantime, Bechtel is focusing on its contracts with other companies and doing some smaller, funded earthworks projects for Global Alumina. The Bechtel representative also discussed the company's recent labor issues and their generally favorable interaction with the Guinean Government since the December 23 coup. END SUMMARY.

¶2. (SBU) Pol/Econ Chief traveled to the Boke Region on May 6 and 7 to meet with various contacts in the mining sector, including Rick Wickwire, the Construction Manager for Bechtel, which is the contractor preparing the mine site for the Global Alumina project between Sangaredi and Kamsar.

BACKGROUND

¶3. (SBU) Bechtel has been working the Global Alumina (GA) site since 2007, although the company has not yet received an official notice to proceed from GA. The mining concession encompasses 690 square kilometers and is estimated to contain 1.4 billion tons of exploitable bauxite. Jointly owned by Global Alumina (\$33%), BHP Billiton (33%), Dubai Aluminum Corp. (25%), and Mubadala (8%), the project will ultimately generate at least \$4.8 billion in investment. (COMMENT. Some unofficial estimates value the project at upwards of \$7 billion, but the company officially claims the smaller number. END COMMENT). The project includes plans to build two refineries, one at the mining site for initial processing, and another at the port of Kamsar for secondary processing. These refineries would be the first of their type in Guinea as most bauxite is exported in its rawest form. Once Bechtel receives the notice to proceed, the company anticipates that the construction could be completed within four to five years.

BECHTEL IN A "HOLDING PATTERN"

¶4. (C) According to the construction manager, Mr. Wickwire, Global Alumina was prepared to issue a "notice to proceed" for the construction contract in early 2009. However, GA has since postponed the decision indefinitely due to the global economic crisis. "We are still in the pre-funding stage and that won't change until the economic situation improves," Wickwire said. However, he said Bechtel is still continuing operations based on a number of contracts it has with other foreign companies, as well as the trickle of cash that GA is still sending intermittently. "We're essentially just doing earthworks right now...we're not pouring any concrete." He later added that Bechtel has significantly cut its workforce as a temporary measure.

NO PROBLEMS WITH THE CNDD

¶5. (SBU) In response to a question about relations with the GoG since the December 23 coup d'etat, Wickwire said the company has absolutely no complaints. "They have pretty much left us alone...I think they understand that the company has to operate freely in order to generate revenues." he said.

LABOR ISSUES

¶6. (C) In fact, Wickwire said the GoG was very helpful to Bechtel during a recent labor strike. The company spent nearly two months handling an extensive local labor strike that ended on May 4. Wickwire explained that the strike was due to general dissatisfaction with wages, which he attributed to two separate issues. In 2007, Global Alumina reportedly promised a significant increase in jobs for the local community, but has not been able to deliver on that promise due to the economic crisis. "The locals have no understanding of the project timeline," Wickwire added.

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¶7. (C) The second issue is the 100% salary increase CBG (Guinean Bauxite Company) gave to its workers toward the end of 2008 (reftel). Wickwire said that the CBG raise is causing problems for all the other mining companies because no one can afford similar increases. He questioned how CBG could afford it and speculated that the decision may have been more political than economic. Wickwire pointed out that Bechtel is a construction company, not a mining company, and as such generally pays lower wages. Since local laborers do not necessarily make this distinction, CBG's raise made Bechtel's wages look that much worse. Wickwire clarified that Bechtel does not employ many local workers, but that the company's subcontractors do. In effect, the strike was not against Bechtel, but it had a significant impact on Bechtel's operations.

¶8. (C) Wickwire said that the GoG played a critical role in resolving the strike and getting people back to work. The strike was reportedly illegal because the laborers had all signed contracts that restricted them from striking. Despite the illegality, Bechtel's subcontractors offered a 15% raise.

The Minister of Mines apparently met with the workers and informed them that the strike was illegal and that they should report back to work. According to Wickwire, the Minister told the workers that they should thank God for the small increase they received and warned them that if they did not return to work, their employers would be fully within their rights to replace them. A few days later, everyone went back to work, although Wickwire admitted that the issue is not resolved and he expects further labor troubles down the road.

COMMENT

¶9. (SBU) Despite the tangible effects of the global economic slowdown at the construction site, the GlobQ Alumina project is impressive. It is expected to bring significant investment in infrastructure, jobs, and revenues to the Guinean economy. Progress has slowed considerably, but the project is ultimately expected to move forward. According to an international press report, the chairman of Global Alumina, Mr. Karim Karjian, said that the company expects to begin constructing the refineries by the end of 2010. In the meantime, Bechtel's strategy seems to be one of reducing its profile in order to stay on the ground until the money starts flowing. END COMMENT.

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